Conduent
NYSE: CNDT

Pratap Sarker

Group Chief Executive; Financial Services & Healthcare

Citi Technology Conference, Sept 7, 2018

Cautionary Statements

Forward-Looking Statements

This report contains “forward-looking statements”, as defined in the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the business process outsourcing industry and our business and financial results. Forward-looking statements often include words such as “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans,” “believes” and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our information systems or security systems or any service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods’ results against the corresponding prior periods’ results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP measures. Non-GAAP measures are footnoted, where applicable, in each slide herein.

Conduent Overview

CONDUENT

Leader in digital interactions delivering seamless, mission-critical solutions for businesses, governments and their constituents globally

~$5.7B TTM Revenue driven by long-term annuity contracts(1)	$680M TTM Adjusted EBITDA(1)
99% Contract renewal rate in Q2 2018	~84K Teammates globally in Q2 2018
~$150B Addressable market opportunity	~5% Annual market growth

1Please refer to Appendix for Non-GAAP reconciliations of TTM Revenue and Adjusted EBITDA
Note: Market size and growth rate source: Conduent Internal Data; Nelson Hall BPO market forecast

Conduent Investment Proposition

CONDUENT

1. **Leadership position** in a ~$150B market growing ~5% annually
2. **Diverse, marquee client base** with strong market share
3. **Stable, recurring revenue model** and 99% renewal rate
4. **Strong margin expansion opportunity** driven by portfolio focus, improved productivity and strategic cost transformation
5. **Amplifying the core** through divesting non-core businesses to focus management bandwidth and free up investment dollars
6. **Disciplined capital allocation** to drive sustainable profitable growth

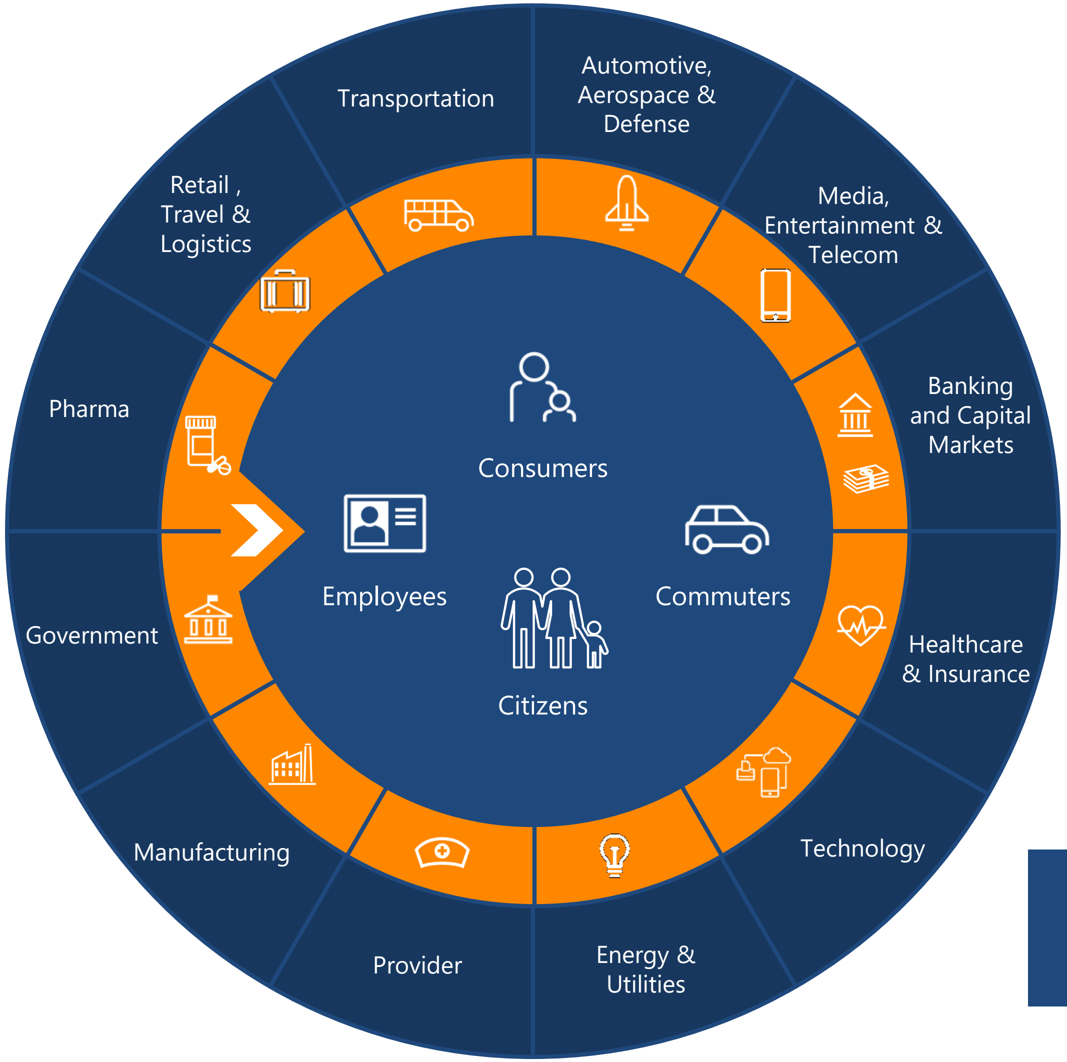
Scale, Market Opportunity and Industry Reputation to Drive Adjusted EBITDA[1] and Free Cash Flow[1] Growth

Note: Renewal rate reflects Q2 2018
Market size and growth rate source: Conduent Internal Data; Nelson Hall BPO market forecast
¹ Please refer to Appendix for Adjusted EBITDA and Free Cash Flow reconciliation

Deep Domaine Expertise

CONDUENT

We are world's largest provider of diversified business services with leading digital platform capabilities

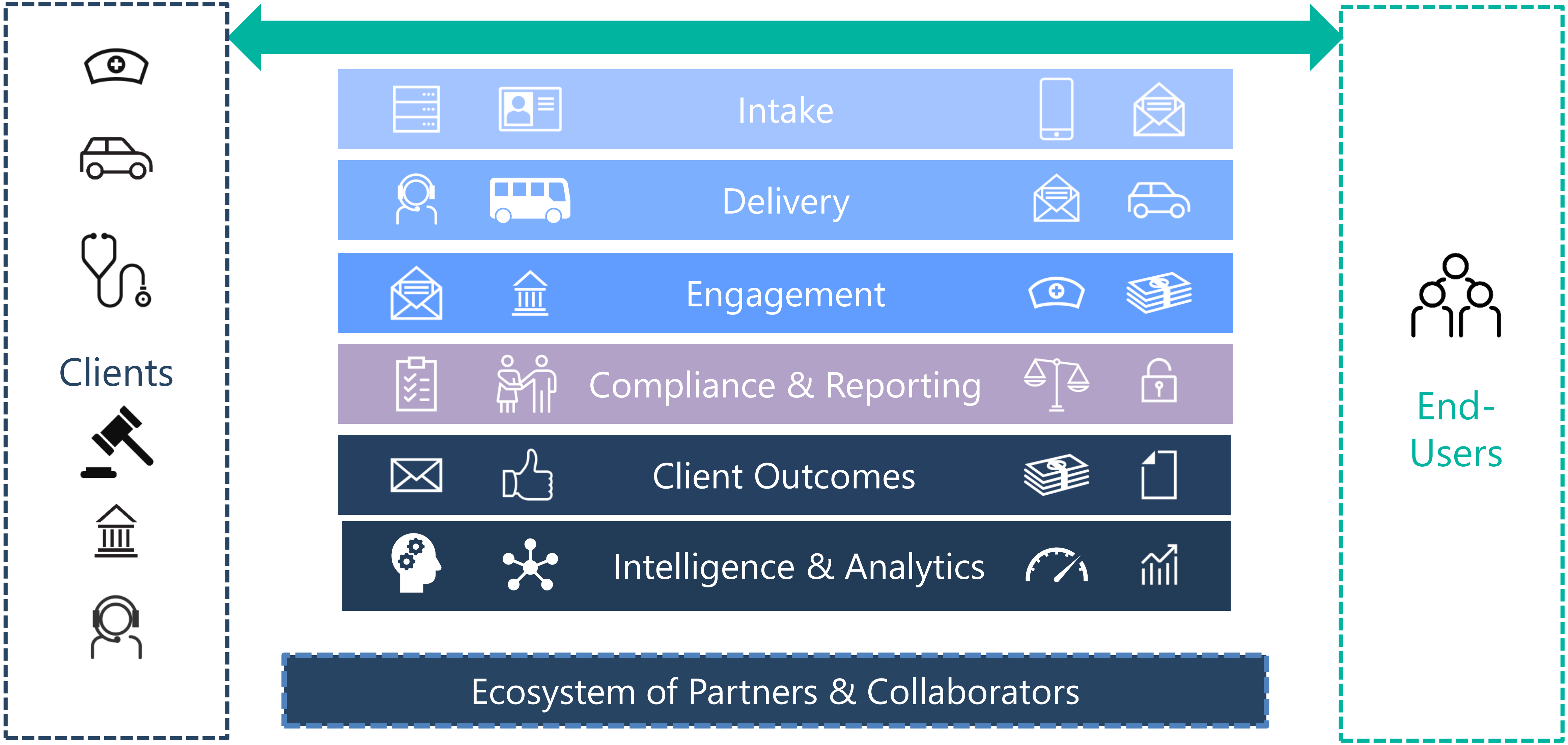


Digital Platform Portfolio

- 13 Business areas
- 24 Platform Groups
- 81 Platforms

Software	Products	Platforms

Digital Platform Architecture



Commercial – FS&H

Clients and Constituents

- Banking & Capital Markets
- Healthcare & Insurance
- Provider
- Pharma
- Automotive, Aerospace & Defense
- Media, Entertainment and Telecom
- Technology
- Energy & Utilities
- Manufacturing
- Retail, Travel & Logistics

Clients

Who We Serve

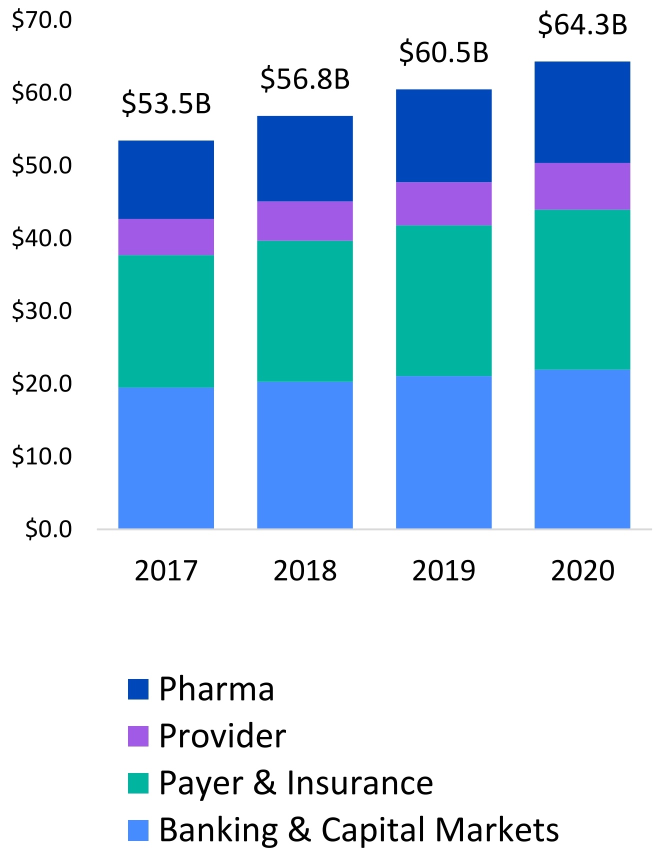
- Consumers
- Employees
- Members, Patients & Clinicians
- Commuters

Offerings

- Human Resources
- Learning
- Omni Channel Experience
- Digital Processing
- Industry Specific
- Workers Comp
- Digital Payments
- Legal & Compliance
- Finance, Accounting & Procurement

FS&H Market Opportunity Set

Addressable Market[1] ($B):
2018-2020 CAGR 6.4%



Business Sectors[2]	Banking & Capital Markets *~$320M*	Healthcare & Insurance *~$770M*	Provider *~$110M*	Pharma & Life Sciences *~$120M*
Client Imperatives:	Emergence of Fintech players offering flexibility, choice and digital experience	Triple Aim: Improve health outcomes, reduce cost of care, enhance an individual experience of care	Reduced reimbursements – transition to value-based care	Value-based arrangements between pharma companies and payers
Digital Platforms:	Consumer Lending	Medical Cost & Care Management	Health Outcomes	Patient Engagement

Horizontal Services: Digital Payments; Digital Processing; Finance Accounting & Procurement; Risk & Compliance; Integrated Employee Engagement; Omni-Channel Customer Experience

(1)Source: NelsonHall
2) Business sector revenue represents approximate FY2017 revenue excluding signed and to-be-signed divestitures

Focus on Clients and Outcomes

CONDUENT

- 11 of the top 12 Fortune 500 commercial banks
- 20 of 20 managed U.S. healthcare plans
- 40% of U.S. hospitals (2,200 hospitals)
- 14 of 15 top global pharmaceutical companies

- 2/3 of U.S. insured patients are touched by our services
- 1+ Billion commercial and government claims processed each year
- 45 Million patients in our provider systems every year
- $49 Billion in provider payments managed every year
- Manage over $60 Billion in loan assets

Incident Reporting
Collect vital Information
15-20%
Drop in accidents through actionable data

24/7 Nurse Triage
Determine best course of action
40%
Reduction in ER visits

Omni-channel
Digital Channel, Analytics & e-Payments
50-75%
Postage and Print Cost Savings

Bank Account Opening
Transformed to Deliver
90%
Reduction in cycle time and 90%+ reduction in error rate

30B Attorney Decisions
Leveraging analytical models
30%+
Cost savings due to reuse of attorney work product

Virtual Agent
With Artificial Intelligence Virtual / Personal Assistant
40%+
Call center efficiencies due to avoidance of billing-related calls

Conduent Investment Proposition

1 **Leadership position** in a ~$150B market growing ~5% annually

2 **Diverse, marquee client base** with strong market share

3 **Stable, recurring revenue model** and 99% renewal rate

4 **Strong margin expansion opportunity** driven by portfolio focus, improved productivity and strategic cost transformation

5 **Amplifying the core** through divesting non-core businesses to focus management bandwidth and free up investment dollars

6 **Disciplined capital allocation** to drive sustainable profitable growth

Scale, Market Opportunity and Industry Reputation to Drive Adjusted EBITDA[1] and Free Cash Flow[1] Growth

Note: Renewal rate reflects Q2 2018
Market size and growth rate source: Conduent Internal Data; Nelson Hall BPO market forecast
[1] Please refer to Appendix for Adjusted EBITDA and Free Cash Flow reconciliation

Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with U.S. GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP measures.

A reconciliation of the following non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP are provided below.

These reconciliations also include the income tax effects for our non-GAAP performance measures in total, to the extent applicable. The income tax effects are calculated under the same accounting principles as applied to our reported pre-tax performance measures under ASC 740, which employs an annual effective tax rate method. The noted income tax effect for our non-GAAP performance measures is effectively the difference in income taxes for reported and adjusted pre-tax income calculated under the annual effective tax rate method including an adjustment for estimated Base Erosion and Anti-Abuse Tax (BEAT). The tax effect of the non-GAAP adjustments was calculated based upon evaluation of the statutory tax treatment and the applicable statutory tax rate in the jurisdictions in which such charges were incurred.

Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate.

We make adjustments to Income (Loss) before Income Taxes for the following items, for the purpose of calculating Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate:

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Amortization of acquired intangible assets. The amortization of acquired intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry and from period to period.
- Separation costs. Separation costs are expenses incurred in connection with separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents reserves for certain terminated contracts that are subject to litigation.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net and all other (income) expenses, net.
- NY MMIS. Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.

The Company provides adjusted net income and adjusted EPS financial measures to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, over different reporting periods, by adjusting for certain items which may be recurring or non-recurring and which in our view do not necessarily reflect ongoing performance. We also internally use these measures to assess our operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions.

Management believes that adjusted effective tax rate, provided as supplemental information, facilitates a comparison by investors of our actual effective tax rate with an adjusted effective tax rate which reflects the impact of the items which are excluded in providing adjusted net income and certain other identified items, and may provide added insight into our underlying business results and how effective tax rates impact our ongoing business.

Non-GAAP Financial Measures

CONDUENT

Adjusted Revenue, Adjusted Operating Income and Adjusted Operating Margin.

We make adjustments to Revenue, Costs and Expenses and Margin for the following items (as defined above), for the purpose of calculating Adjusted Operating Income and Adjusted Operating Margin:

- Restructuring and related costs.
- Amortization of acquired intangible assets.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other (income) expenses, net.
- NY MMIS.
- HE charge.
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

We provide our investors with adjusted revenue, adjusted operating income and adjusted operating margin information, as supplemental information, because we believe it offers added insight, by itself and for comparability between periods, by adjusting for certain non-cash items as well as certain other identified items which we do not believe are indicative of our ongoing business, and may also provide added insight on trends in our ongoing business.

Adjusted Other Segment Profit and Margin

We adjust our Other Segment profit and margin for NY MMIS and HE charge adjustments.

We provide Other segment adjusted loss and Other segment adjusted margin information, as supplemental information, because we believe that the adjustment for NY MMIS wind-down costs and HE charge, which we do not believe are indicative of our ongoing business, supplementally provides investors added insight into underlying Other segment loss and gross margin results and trends, both by itself and in comparison to other periods.

Non-GAAP Financial Measures

CONDUENT

Segment and Consolidated Adjusted EBITDA and EBITDA Margin

We use Adjusted EBITDA and Adjusted EBITDA Margin as an additional way of assessing certain aspects of our operations that, when viewed with the U.S. GAAP results and the accompanying reconciliations to corresponding U.S. GAAP financial measures, provide a more complete understanding of our on-going business. Adjusted EBITDA represents Income (loss) before Interest, Income Taxes, Depreciation and Amortization adjusted for the following items (which are defined above). Adjusted EBITDA margin is Adjusted EBITDA divided by adjusted revenue:

- Restructuring and related costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other (income) expenses, net.
- NY MMIS / NY MMIS Depreciation.
- HE charge.
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

Adjusted EBITDA is not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating performance. Management cautions that amounts presented in accordance with Conduent's definition of Adjusted EBITDA and Adjusted EBITDA Margin may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA and EBITDA Margin in the same manner.

Adjusted Public Sector Segment Revenue and Profit

We adjusted Public Sector Segment revenue, profit and margin for the NY MMIS and HE charges as we believe it offers added insight, by itself and for comparability between periods, for items which we do not believe are indicative of our ongoing business.

Free Cash Flow

Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, tax payments related to divestitures, vendor financed capital lease and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software, make principal payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

Adjusted Free Cash Flow

Adjusted free cash flow is defined as free cash flow from above plus deferred compensation payments and transaction costs.

Adjusted Cash

Adjusted cash is defined as cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants. We believe this provides added insight into cash and cash equivalent positions.

Constant Currency

To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. Dollars. We refer to this adjusted revenue as "constant currency." Currency impact can be determined as the difference between actual growth rates and constant currency growth rates. This currency impact is calculated by translating the current period activity in local currency using the comparable prior-year period's currency translation rate.

Non-GAAP Outlook

In providing outlook for adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, such as amortization, restructuring, separation costs, NY MMIS, HE charge, and certain other adjusted items, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results. We have provided and outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues.

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Non-GAAP Reconciliation:

Adjusted Revenue and Operating Income / Margin[1]

(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
	Adjusted for 606 and Divestitures[1]						
GAAP Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
ASC 606 adjustment	—	—	(166)	(41)	(39)	(40)	(46)
Less revenue from divestitures	—	—	(59)	—	(14)	(22)	(23)
Adjusted Revenue From Continuing Operations	1,387	1,420	5,797	1,452	1,427	1,434	1,484
Pre-tax Income (Loss) From Continuing Operations	54	(54)	(16)	4	13	(11)	(22)
ASC 606 adjustment	—	—	(11)	(3)	(2)	(3)	(3)
Less pre-tax (income) loss from divestitures	—	—	(7)	—	(2)	(2)	(3)
Adjusted Pre-Tax Income (Loss)	54	(54)	(34)	1	9	(16)	(28)
Adjusted Operating Margin	*3.9%*	*(3.8)%*	*(0.6)%*	*0.1%*	*0.6%*	*(1.1)%*	*(1.9)%*
Adjusted Revenue	$ 1,387	$ 1,420	$ 5,797	$ 1,452	$ 1,427	$ 1,434	$ 1,484
Pre-tax income (Loss) From Continuing Operations	$ 54	$ (54)	$ (16)	$ 4	$ 13	$ (11)	$ (22)
Adjustments:							
Restructuring and related costs	17	20	101	25	22	36	18
Amortization of acquired intangible assets	60	61	243	61	60	61	61
Interest expense	37	33	137	32	35	34	36
Separation costs	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	4	31	(11)	3	6	(9)	(11)
Other (income) expenses, net	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS	(1)	—	9	(1)	1	1	8
HE charge	—	—	(8)	—	(3)	—	(5)
ASC 606 adjustment	—	—	(11)	(3)	(2)	(3)	(3)
Less pre-tax (income) loss from divestitures	—	—	(7)	—	(2)	(2)	(3)
Adjusted Operating Income/Margin	*$ 109*	*$ 105*	*$ 400*	*$ 127*	*$ 107*	*$ 83*	*$ 83*
Adjusted Operating Margin	*7.9%*	*7.4%*	*6.9%*	*8.7%*	*7.5%*	*5.8%*	*5.6%*

(1) Adjusted for the impact from 606 accounting standard change and revenue and (income) loss from divestitures

Non-GAAP Reconciliation: Adjusted EBITDA

CONDUENT

(in millions)	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
			Previously Reported				
Reconciliation to Adjusted Revenue							
GAAP Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
Adjusted Revenue	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
GAAP Net Income (Loss) from Continuing Operations	$ 11	$ (50)	$ 177	$ 208	$ (17)	$ (4)	$ (10)
Interest expense	37	33	137	32	35	34	36
Income tax expense (benefit)	43	(4)	(193)	(204)	30	(7)	(12)
Segment depreciation and amortization	57	56	254	58	63	69	64
Amortization of acquired intangible assets	60	61	243	61	60	61	61
EBITDA	$ 208	$ 96	$ 618	$ 155	$ 171	$ 153	$ 139
EBITDA Margin	*15.0%*	*6.8%*	*10.3%*	*10.4%*	*11.6%*	*10.2%*	*9.0%*
EBITDA	$ 208	$ 96	$ 618	$ 155	$ 171	$ 153	$ 139
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Separation costs	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	4	31	(11)	3	6	(9)	(11)
Other (income) expenses, net	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS	(1)	—	9	(1)	1	1	8
HE charge	—	—	(8)	—	(3)	—	(5)
Adjusted EBITDA	166	161	672	188	174	157	153
Adjusted EBITDA Margin	12.0%	11.3%	11.2%	12.6%	11.8%	10.5%	9.9%

Non-GAAP Reconciliation: Adjusted EBITDA[1]

CONDUENT

(in millions)	Adjusted for 606 and Divestitures[1] Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Reconciliation to Adjusted Revenue							
GAAP Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
ASC 606 adjustment	$ —	$ —	$ (166)	$ (41)	$ (39)	$ (40)	$ (46)
Less revenue from divestitures	$ —	$ —	$ (59)	$ —	$ (14)	$ (22)	$ (23)
Adjusted Revenue From Continuing Operations	$ 1,387	$ 1,420	$ 5,797	$ 1,452	$ 1,427	$ 1,434	$ 1,484
GAAP Net Income (Loss) from Continuing Operations	$ 11	$ (50)	$ 177	$ 208	$ (17)	$ (4)	$ (10)
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Amortization of acquired intangible assets	60	61	243	61	60	61	61
ASC 606 adjustment	—	—	(11)	(3)	(2)	(3)	(3)
Less pre-tax (income) loss from divestitures	—	—	(6)	—	(2)	(1)	(3)
EBITDA adjusted for 606 and divestitures	$ 208	$ 96	$ 601	$ 152	$ 167	$ 149	$ 133
EBITDA Margin	*15.0%*	*6.8%*	*10.4%*	*10.5%*	*11.7%*	*10.4%*	*9.0%*
Adjusted EBITDA	$ 208	$ 96	$ 601	$ 152	$ 167	$ 149	$ 133
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NY MMIS	(1)	—	9	(1)	1	1	8
HE charge	—	—	(8)	—	(3)	—	(5)
Adjusted EBITDA	166	161	655	185	170	153	147
Adjusted EBITDA Margin	12.0%	11.3%	11.3%	12.7%	11.9%	10.7%	9.9%

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and revenue and (income) loss from divestitures

Non-GAAP Reconciliation: Adjusted Free Cash Flow

CONDUENT

(in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating Cash Flow	$ 98	$ 67	$ 60	$ (40)
Cost of additions to land, buildings and equipment	(43)	(20)	(76)	(37)
Proceeds from sales of land, buildings and equipment	12	33	12	33
Cost of additions to internal use software	(8)	(7)	(14)	(15)
Tax payment related to divestitures	10	—	10	—
Vendor financed capital leases	(14)	(4)	(14)	(16)
Transaction costs	3	—	4	—
Deferred compensation payments and adjustments	2	3	9	4
Adjusted Free Cash Flow	**$ 60**	**$ 72**	**$ (9)**	**$ (71)**